

DAVID Y. IGE
GOVERNOR



JAMES K. NISHIMOTO
DIRECTOR

RANDY BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

April 6, 2015

TESTIMONY TO THE
HOUSE COMMITTEE ON FINANCE
For Hearing on Tuesday, April 7, 2015
2:30 p.m., Conference Room 308

By

JAMES K. NISHIMOTO
DIRECTOR, DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

Senate Bill No. 1361, S.D. 2, H.D. 1
Relating to Budgeting

(WRITTEN TESTIMONY ONLY)

CHAIRPERSON SYLVIA LUKE, VICE CHAIR SCOTT NISHIMOTO AND MEMBERS
OF THE HOUSE COMMITTEE ON FINANCE:

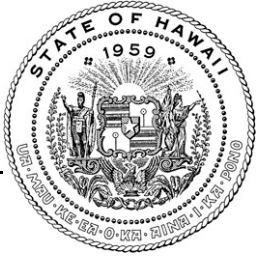
S.B. No. 1361, S.D. 2, H.D. 1 would, among other things, amend Chapter 37, HRS to require “position ceilings” to be included in the executive budget and related documents. The bill would also prohibit the expenditure of funds on positions exceeding the applicable ceiling, with certain exceptions. The effective date of these amendments would be July 1, 2016.

The Department of Human Resources Development (DHRD) respectfully requests this committee to consider the reinstatement of the amendment to Chapter 76, which was previously proposed by the Department of Budget and Finance and reflected in S.D. 2. as follows:

“§76- Special, research, or demonstration project positions. Notwithstanding any law to the contrary, with the approval of the governor, the head of a department may establish and abolish any subordinate position for an employee engaged in a special, research, or demonstration project that is approved by the governor, subject to the limitations of available appropriations.”

This amendment would have enabled departments to proceed with the staffing of projects approved by the governor, without risking the loss of potential funding sources due to delays in establishing needed positions.

Thank you for the opportunity to testify regarding this measure.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development and Tourism
before the
HOUSE COMMITTEE ON FINANCE
Tuesday, April 7, 2015
2:30 PM
State Capitol, Conference Room 308
in consideration of
SB 1361, SD 2, HD 1
RELATING TO BUDGETING.

Chair Luke, Vice Chair Nishimoto, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers comments on SB 1361, SD2, HD1, which requires position ceilings to be included in the executive budget and various budget documents. The bill would also prohibit the expenditure of funds on positions exceeding the applicable ceiling, with certain exceptions.

DBEDT prefers language provided in SB 1361, SD2, which amended Chapter 76:

“§76-__ Special, research, or demonstration project positions. Notwithstanding any law to the contrary, with the approval of the governor, the head of a department may establish and abolish any subordinate position for an employee engaged in a special, research, or demonstration project that is approved by the governor, subject to the limitations of available appropriations.”

This amendment would have enabled departments to proceed with the staffing of projects approved by the Governor, without risking the loss of potential funding sources due to delays in establishing needed positions.

Thank you for the opportunity to offer these comments.



The Judiciary, State of Hawai'i

Testimony to the House Committee on Finance

Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair

Tuesday, April 7, 2015 2:30 PM
State Capitol, Conference Room 308

By
Rodney A. Maile
Administrative Director of the Courts

WRITTEN TESTIMONY ONLY

Bill No. and Title: Senate Bill No. 1361, S.D. 2, H.D. 1, Relating to Budgeting

Purpose: Requires "position ceilings" to be included in the executive budget and related documents. Requires a "position ceiling" to separately identify the maximum number of permanent and temporary positions authorized in the executive budget. Prohibits the expenditure of funds on positions exceeding the applicable ceiling, with certain exceptions. Provisions also apply to the judiciary budget by operation of existing law. Effective date July 1, 2115.

Judiciary's Position:

The Judiciary appreciates the purpose and intent of this bill, i.e., to increase transparency in the state budgeting process, and the opportunity for further dialogue on this bill. Since the Judiciary is also subject to the provisions of Senate Bill No. 1361, S.D. 2, H.D. 1, we offer the following comments:

The Judiciary believes that some flexibility is necessary when determining operational staffing needs and establishing position ceiling controls. While the existing proposed bill provides some exceptions for establishing temporary positions, it does not provide for establishing temporary positions that are needed due to health and safety reasons (for the Judiciary) or for reasons not within the control of the Judiciary. For example, a program that has incurred an increase in document filings causing a backlog which then affects the public's

wait time for documents and the program has tried to address the backlog by other means which have not helped, e.g., reassignment of staff, overtime, etc. The proposed prohibition on creating temporary positions in excess of the position ceilings authorized could adversely impact our operations in these types of situations as the timing of the budget preparation process and/or Legislature in session may not coincide with the need for temporary positions.

We believe that the Judiciary has tried to be prudent in balancing staffing needs with our budget as we have internal procedures in place for the establishment of any temporary position to ensure the appropriateness of staffing. This process includes reviews conducted by the chief court administrator or department head, the budget office, the human resources director, and finally, the Administrative Director of the Courts.

Should this bill be passed out of this committee, we respectfully request that the following language be added to Subchapter 37-74 (e) (4):

“Position approved by the governor for a special, research, or demonstration project of an agency. When applying this part to the judiciary, the term “governor” means the chief justice of the supreme court;”

Thank you for the opportunity to offer our proposed amendment and testify on Senate Bill No.1361, S.D. 2, H.D. 1.

DAVID Y. IGE
GOVERNOR



CATHERINE PAYNE
CHAIRPERSON

STATE OF HAWAII
STATE PUBLIC CHARTER SCHOOL COMMISSION
(‘AHA KULA HO‘ĀMANA)

<http://CharterCommission.Hawaii.Gov>
1111 Bishop Street, Suite 516, Honolulu, Hawaii 96813
Tel: (808) 586-3775 Fax: (808) 586-3776

FOR: SB1361 SD2 HD1 Relating to Budgeting
DATE: Tuesday, April 7, 2015
TIME: 2:30 p.m.
COMMITTEE(S): House Committee on Finance
ROOM: Conference Room 308
FROM: Tom Hutton, Executive Director
State Public Charter School Commission

Chair Luke, Vice Chair Nishimoto, and members of the Committee:

The State Public Charter School Commission appreciates the opportunity to submit these written comments on Senate Bill 1361 SD2 HD1, "Relating to Budgeting," which, among other things, requires a "position ceiling" to identify the maximum number of permanent and of temporary positions authorized in the Executive Budget and, with certain exceptions, prohibits the expenditure of funds on positions exceeding the applicable ceiling.

Under the funding methodology established under Section 302D-28, Hawaii Revised Statutes ("HRS"), public charter schools are provided what amounts to lump sum funding under a statutory formula and are afforded substantial flexibility in the management and expenditure of those funds. Because under this formula the funding amounts are derived from the Department of Education's approved budget, rather than based on charter school cost calculations submitted in advance through the normal budgeting process, and because even relatively small enrollment fluctuations in such small schools can change staffing needs unexpectedly, the requirements proposed in this bill could have a serious adverse impact on the operational flexibility on which public charter schools heavily depend.

In light of these considerations, we would respectfully request that the new subsection 37-74 (e), HRS, proposed under Section 7 of the bill be amended to add to the list of exceptions to the new restrictions a "Position established by a charter school as defined under Section 302D-1."

Thank you for the opportunity to provide this testimony.

DAVID Y. IGE
GOVERNOR



KATHRYN S. MATAYOSHI
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

LATE

Date: 04/07/2015

Time: 02:30 PM

Location: 308

Committee: House Finance

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: SB 1361, SD2, HD1 RELATING TO BUDGETING.

Purpose of Bill: Requires inclusion of position ceilings in the executive budget and related documents and separate identification of the maximum number of permanent and temporary positions authorized. Prohibits the expenditure of funds on positions exceeding the applicable ceiling, with certain exceptions. Applies to Executive and Judicial Branch budgets and documents. (SB1361 HD1)

Department's Position:

Supports intent.

The Department of Education appreciates the intent of SB1361 SD2 HD1 to improve transparency by adding to budget documents position ceilings for temporary positions, and prohibiting agencies from exceeding the position ceilings for both permanent and temporary positions except in certain instances.

The Department offers comments for the committee's consideration.

Without the exceptions to the prohibition that are contained in Section 6, it would not be possible to establish positions to ensure federal funds received can be used in a timely manner for the purposes for which the funds were awarded. It would also be problematic to adjust staffing throughout the entire school system to accommodate enrollment fluctuations, varying student needs including individualized education plans, and school level decisions on the use of funds for employee or non-payroll expenditures. Given the limited time in which either State or federal funds are available for expenditure, the prohibition to exceed position ceilings would compromise the Department's ability to efficiently and effectively use funds appropriated to support and operate our public schools.

Thank you for the opportunity to testify on this measure.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

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Date: 04/07/2015
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Committee: House Finance

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

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Thank you for the opportunity to testify on this measure.

LATE

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 1361, S.D. 2, H.D. 1

April 7, 2015

RELATING TO BUDGETING

Senate Bill No. 1361, S.D. 2, H.D. 1, amends Chapter 37, HRS, to establish position ceilings at the program level and requires the inclusion of position ceiling information in the various budget documents. The bill prohibits, with certain exceptions, the expenditure of funds for the filling of positions if the position ceiling would be exceeded. The bill also amends Section 76-16, HRS, to allow the creation of non-civil service positions only by act or statute.

The Department of Budget and Finance supports the general intent of Senate Bill No. 1361, S.D. 2, H.D. 1, but has the following concerns. First, it needs to be recognized that the computerized budget systems currently utilized by the Executive Branch to produce the various budget documents and budget bills are not contemporary, technologically advanced systems. The core budgeting programs are COBOL-based systems that are over 40 years old. As such, these systems will require extensive modifications which would likely be labor intensive and require funding in order to accommodate the requirements of this bill.

For example, to display temporary positions at the program level in the various documents would require major formatting modifications and we are not sure, at this time, of the resource requirements and time needed to complete this task. As

such, during the interim, we will explore alternative means to provide temporary and permanent position count information and will evaluate various options to provide this information in the budget documents.

Second, we strongly believe that some flexibility is necessary when establishing position ceiling controls. Excessively strict position ceiling controls can be problematic when circumstances not foreseen during budget preparation arise, and can severely hamper the Executive's ability to operationally respond to these situations effectively and efficiently.

The Legislature should consider the opinion of respective departments on how the proposed prohibition on creating temporary and exempt positions in excess of the position ceilings authorized could adversely impact their operations and what, if any, program curtailments could result. We understand that many departments have expressed concerns regarding potential issues regarding federally funded positions. To address these concerns, we suggest adding back the following language to add a new section to Chapter 76 as was included in Senate Draft 2 of this bill:

SECTION . Chapter 76, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§76- Special, research, or demonstration project positions.

Notwithstanding any law to the contrary, with the approval of the governor, the head of a department may establish and abolish any subordinate position for employees engaged in special, research, or demonstration projects approved by the governor, subject to the limitations of available appropriations."

Lastly, we are concerned that this is one of a number of bills moving through the Legislature that would require that significant changes be made to the budget

documents. The previously mentioned COBOL-based systems, along with our newer web-based budget systems, would require extensive modifications which would be labor intensive. The development of interim reports and additional training requirements will also sap our limited resources. Should all of these measures pass, it is unlikely that our department will be able to meet all of the new statutory requirements within the allotted time frame.

As such, we strongly recommend that the effective date of the bill allow several years for the changes to be made, with a requirement that a compliance plan be submitted, or some other option that would allow us to work through the various issues and problems without adversely impacting immediate staffing needs. Annual progress updates could also be provided to keep the Legislature apprised of our efforts.